

Message Text

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PAGE 01 JERUSA 01932 140726Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 SAA-01 SSM-03 IO-13 /093 W
-----014220 140727Z /11

P R 131605Z JUL 78
FM AMCONSUL JERUSALEM
TO SECSTATE WASHDC PRIORITY 1331
INFO AMEMBASSY ATHENS
AMEMBASSY TEL AVIV

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ATHENS FOR TRDO

E.O. 11652: N/A
TAGS: ENRG, EQUIPM, IS
SUBJECT: POWER POLITICS ON THE WEST BANK

REF: (A) JERUSALEM 1848, (B) JERUSALEM 1702

1. ON JULY 13, 1978 MR. KLIS HUIS, REPRESENTATIVE OF DELAVAL
TURBINE FROM AMSTERDAM, LOCAL DELAVAL REPRESENTATIVE AND COMMERCIAL
OFFICER MET TO DISCUSS PROSPECTS FOR SALE OF DELAVAL EQUIP-
MENT TO NABLUS MUNICIPALITY. FOLLOWING IS SUMMARY OF THE
SITUATION, AS SEEN BY DELAVAL REPRESENTATIVES, AND WHAT
THEY PLAN TO DO TO TRY TO WREST SALE FROM FRONT-RUNNER
M.A.N. OF WEST GERMANY.

2. THE DELAVAL REPRESENTATIVES ACKNOWLEDGE THAT M.A.N.
IS THE FRONT-RUNNER, BUT ALLEGE THAT THIS IS PARTIALLY
A RESULT OF DELIBERATE MISINTERPRETATION OF TECHNICAL DATA
IN THE EARLIER STAGES OF THE NEGOTIATIONS. THEY INSIST
THAT THE DELAVAL OFFER IS MUCH BETTER THAN THE M.A.N.
OFFER. THEY SAID THAT THE M.A.N. OFFER WAS TO SUPPLY
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PAGE 02 JERUSA 01932 140726Z

THREE GENERATOR SETS, WITHIN ABOUT 20 MONTHS, AT A
COST OF DEUTSCH MARKS 11,000,000 (APPROXIMATELY U.S.
\$5,600,000). REPRESENTATIVES OF M.A.N. ARE NOW IN NABLUS
AND HAVE OFFERED TO SUPPLY ONE GENERATOR, FREE OF
CHARGE, FOR THE MUNICIPALITY TO USE UNTIL THE THREE LARGE
GENERATORS CAN BE DELIVERED AND INSTALLED. ADDITIONAL
M.A.N. PERSONNEL ARE SCHEDULED TO ARRIVE IN NABLUS ON

JULY 15 TO TRY TO GET THE NABLUS MUNICIPALITY TO SIGN THE CONTRACT TO PURCHASE THE EQUIPMENT FROM M.A.N. A COMMITTEE OF NABLUS OFFICIALS AND ENGINEERS PLANS TO MEET WITH THE M.A.N. TEAM AND TRY TO GET THE PRICE OF THE GENERATORS REDUCED TO BETWEEN U.S. \$5,000,000 AND \$5,500,000.

3. DELAVAL REPRESENTATIVES TELL US THEY ARE NOW RE-EXAMINING THE PRICING AND THE OTHER TERMS OF THEIR OFFER AND WILL TRY TO SUBMIT A REVISED OFFER ON THE MORNING OF JULY 14. HUIS SAID HE WOULD TRY TO GET A FURTHER REDUCTION OF THE INITIAL QUOTATION OF U.S. \$5,300,000 AND STRESS THE FOLLOWING ADVANTAGES OF THE DELAVAL OFFER OVER THE M.A.N. QUOTATION:

- (A) SOME ALTERNATIVES ON THE TERMS OF PAYMENT (HE PLANS TO CONSULT DELAVAL EXECUTIVES IN THE U.S. BY TELEPHONE);
- (B) A FINAL PRICE THAT WILL BE LOWER THAN THE M.A.N. QUOTATION (ALSO AS AUTHORIZED BY DELAVAL HOME OFFICE);
- (C) STRESS THAT EACH DELAVAL GENERATOR WILL PRODUCE ABOUT 1440 KW MORE THAN THE M.A.N. EQUIPMENT, RESULTING IN A LOWER COST PER KILOWATT;
- (D) INVITE TWO NABLUS ENGINEERS TO VISIT THE DELAVAL PLANT IN THE U.S.; AND
- (E) STRESS THAT THE DELAVAL EQUIPMENT CAN BE DELIVERED IN FIVE MONTHS OR LESS (THIS IS A SIGNIFICANT FACTOR BECAUSE THE NABLUS MUNICIPALITY OFFICIALS WANT THE LIMITED OFFICIAL USE

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PAGE 03 JERUSA 01932 140726Z

GENERATORS IN COUNTRY AS SOON AS POSSIBLE BECAUSE THEY FEAR THAT THE GOVERNMENT OF ISRAEL MIGHT DECIDE AGAINST LETTING THE MUNICIPALITY IMPORT THE EQUIPMENT SO IT CAN INCREASE ITS GENERATING CAPACITY).

4. THE DELAVAL REPRESENTATIVES ALSO INTEND TO MAKE IT CLEAR TO THE NABLUS MUNICIPALITY OFFICIALS, ESPECIALLY MAYOR BASSEM SHA'KA, THAT DELAVAL IS THE ONLY FIRM MAKING AN OFFER THAT DOES NOT IMPORT THROUGH AN ISRAELI AGENT. ACCORDING TO THEM, THE OTHER FIRMS, INCLUDING M.A.N., WILL HAVE TO PAY A COMMISSION TO AN ISRAELI AGENT IF THEY GET THE CONTRACT. THEY EXPRESSED THE BELIEF THAT IT IS POSSIBLE THAT THE SAUDI ARABIANS WOULD REFUSE TO PAY FOR THE EQUIPMENT, IF THEY LEARNED THAT AN ISRAELI FIRM WOULD EARN A COMMISSION ON THE SALE. ACCORDING TO THEIR STATEMENTS AND OTHER INFORMATION AVAILABLE THROUGH THE PRESS AND OTHER CONTACTS, THE MUNICIPALITY CANNOT AFFORD TO LOSE THE FINANCIAL SUPPORT OF THE SAUDIS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WEST BANK, ELECTRIC POWER
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JERUSA01932
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780288-0883
Format: TEL
From: JERUSALEM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780765/aaaacctw.tel
Line Count: 114
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e05bda75-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 JERUSALEM 1848, 78 JERUSALEM 1702
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2024098
Secure: OPEN
Status: NATIVE
Subject: POWER POLITICS ON THE WEST BANK
TAGS: ENRG, EQIP, IS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e05bda75-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014